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CHINA: MFN VOTE AND VETO

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- o On March 18 the Senate failed to override the President's March 2 veto of H.R. 2212, the Mitchell/Pelosi conditionality bill, by a vote of 60 to 38.
 - The House had earlier, on March 10, voted 357 to 61 to override the President's veto.
 - The bill sought to condition China's MFN status for 1992. It required significant Chinese progress on human rights, open and fair trade, and weapons non-proliferation.
- o In his March 2 veto statement, the President objected to the means proposed by the bill to achieve the mutual goals of the Administration and Congress.
 - He pointed out that the bill would severely handicap U.S. business in China, penalizing American workers and eliminating jobs in this country.
 - He listed the achievements of the Administration's policy of comprehensive engagement in trade, human rights and arms control.
- o The annual review and renewal of MFN for China under Jackson-Vanik requires a Presidential waiver notification to Congress by June 3.
- o This year's review could be influenced by our Section 301 (market access) investigation which is scheduled to be completed in October.
 - Senators Baucus and Bentsen support an earlier end to the investigation; Baucus specifically seeks a resolution by June.
 - Our next round of talks will be held May 21 - 22 in Beijing. We sense that the Chinese may be willing to pick up the pace a bit.
 - In their April 2 counter-draft MOU, tabled at the last round of 301 talks, the Chinese sought active U.S. support for an expeditious conclusion to China's GATT accession talks. If a working party on Taiwan is formed at the next GATT Council meeting in Geneva April 30, China will seek accelerated accession negotiations to keep its application ahead of Taiwan's.

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OCT 24 1996

United States Department of State
Office of FOI, Privacy, & Classification Review
Review Authority: ROBERT MILLER
Date: 06/17/96
Case ID: 90019152

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CHINA: SECTION 301 MARKET ACCESS INVESTIGATION

- o On October 10, 1991, USTR announced the self-initiation of a Section 301 investigation of market access barriers in China.
 - Several rounds of USTR-led meetings with the Chinese, begun in the fall of 1990, had failed to secure substantial Chinese commitments to reduce a growing list of market access barriers.
- o The October 10 announcement stated that the investigation would focus on the following market access barriers:
 - import bans and quota restrictions;
 - restrictive import licensing requirements;
 - technical barriers to trade, such as testing and certification requirements; and
 - failure to publish laws and regulations pertaining to restrictions on imports.
- o We also proposed, outside the 301 process, continued consultations with China to reduce its prohibitively high tariffs.
- o Three rounds of bilateral talks have been held on these issues since last October.
 - The next round is scheduled for May 21-22 in Beijing.
- o During the last round of talks in Washington (March 31 to April 2), we tabled a draft MOU which lists commitments China must make to successfully conclude the investigation.
 - China used our draft text as the basis for a counteroffer, which accepted some of our language on minor issues but left our major concerns unresolved.
- o Under U.S. law, we have 12 months (i.e., until October 10, 1992) to complete the investigation.
 - We have told the Chinese that we would like to see substantial progress before then in order to improve prospects for maintaining China's MFN status during the MFN renewal debate expected to begin in June.

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CHINA AND TAIWAN'S GATT APPLICATIONS

- o The U.S. supports the accession of China (PRC) to GATT as a contracting party and also of Taiwan, as a separate customs territory, when GATT requirements are met.
 - Secretary Baker stated in Beijing last November that "assuming Taiwan and China both qualify according to GATT standards, the example of APEC demonstrates that we should be able to solve the membership problem".
- o Both the PRC and Taiwan are major players in world trade, and we and others would benefit if their trade practices conform to international trade rules.
- o However, we reject any linkage between the two applications.
 - PRC says it must be accepted before Taiwan; we think each application should be reviewed on its own merits.
- o We have emphasized that our support for Taiwan's entry as a customs territory does not conflict with our long standing policy which acknowledges the Chinese position that there is only one China, and that Taiwan is part of China.
- o China's GATT application, made in 1986, remains under review by a Working Party (WP) of interested GATT members.
 - The last meeting of the China WP was held this February; the next meeting has not yet been scheduled.
 - The EC has threatened to suspend action on China's WP until China withdraws its objections for a Taiwan WP.
- o Taiwan's GATT application, made in 1990, has not yet been accepted for review by a GATT WP.

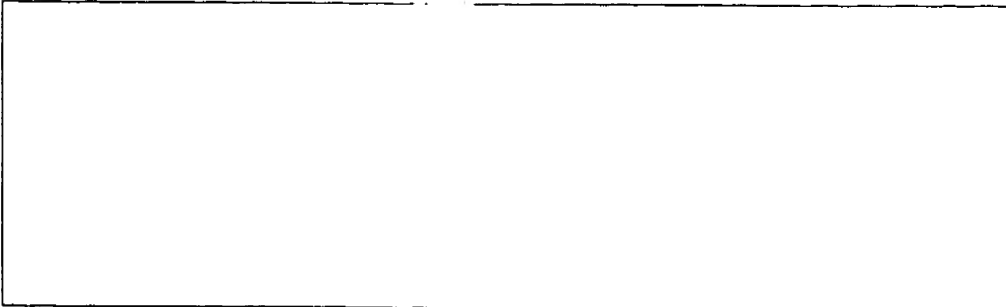
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CHINA: PRISON LABOR BACKGROUND

- o In July 1991 the President instructed the Department to negotiate an MOU with the PRC to ensure that Chinese prison-made exports do not enter the U.S.
 - Congress pulled the issue into the MFN debate after criticism of alleged PRC practices by media and human rights groups.
- o During the Secretary's November 1991 trip to Beijing, he and PRC Foreign Minister Qian Qichen agreed in principle on the elements of an MOU covering prompt investigation, information exchange, meetings between officials, and evidence sharing.
 - There was no agreement, however, to cooperate on investigations in China. To enforce our laws effectively, U.S. Customs needs assured access to suspect PRC facilities to verify Chinese investigations.



- o Since November, we have continued discussions on how the MOU will be implemented. A team from State and U.S. Customs went to Beijing for talks on April 23-24.

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- We will press the Chinese for approval on a revised MOU in time for you to sign it during your trip.
- o U.S. Customs has actively pursued allegations of Chinese prison-made imports and aggressively enforced U.S. laws.
 - Customs won a criminal conviction against one U.S. firm for importing machine presses from a Chinese prison, banned imports of diesel engines from another prison factory, and detained several other products pending investigation.

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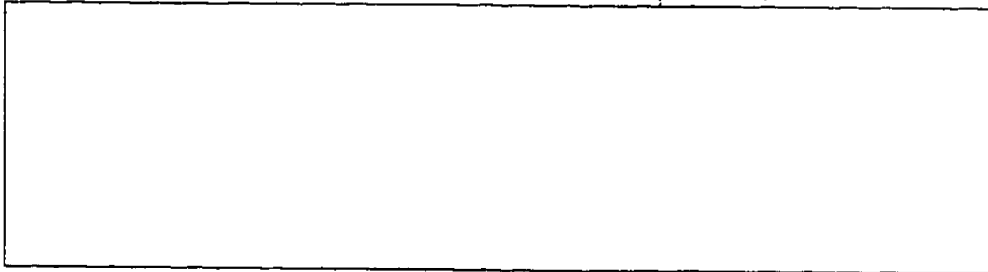
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BACKGROUND: CHINA PROLIFERATION ISSUES

MISSILES

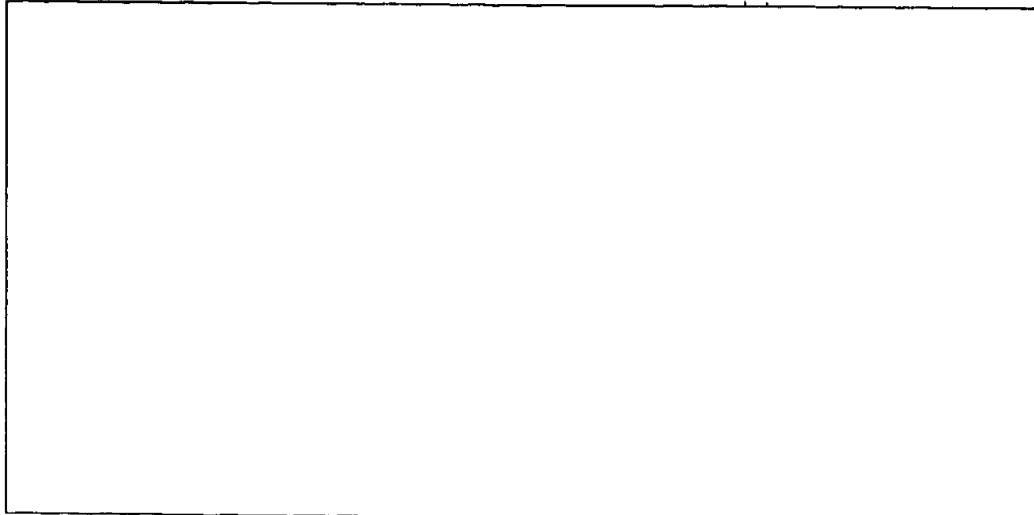
- o China's commitment to abide by the MTCR Guidelines and parameters took effect March 23.



-- In addition to raising our concerns, A/S Clarke's missile experts team fully briefed the Chinese on the details of both the MTCR and U.S. law and offered to host further consultations in Washington in July or August.

NUCLEAR

- o Following its March 9 NPT accession, China may not legally assist any non-nuclear weapon state to acquire nuclear weapons; because China had announced that it would require safeguards on its exports, however, accession did not create any new obligations governing China's growing transfers.



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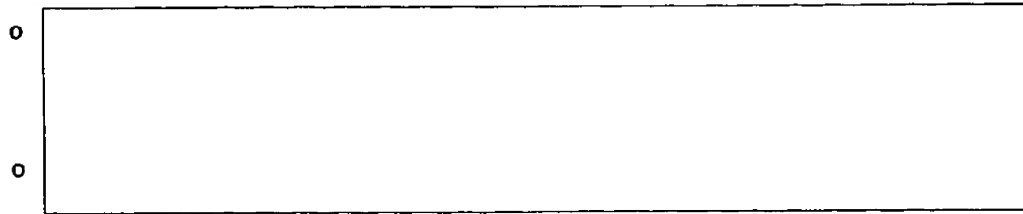
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CHINA: HUMAN RIGHTS

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Imprisoned Dissidents

- o We seek the release of the hundreds still imprisoned since Tiananmen as well as those held since the Democracy Wall movement of 1979.
- o During the Secretary's visit in November 1991, we received from the Chinese a response to our list of more than 800 prisoners of human rights concern, divided into categories of imprisoned, released, not suspected, not identified, etc. We have asked for additional information.
- o The Secretary urged the Chinese to permit the International Committee of the Red Cross (ICRC) to have access to Chinese prisons. China responded negatively; we need to continue to press this.

Religious Dissidents

- o Our prisoners list includes those who have been imprisoned for expression of their religious beliefs. Although the government generally tolerates the existence of unofficial churches if they remain small and discreet, both Catholics and Protestants who are too vocal and/or too popular face prosecution and possible imprisonment. Catholics who maintain obvious ties to Rome are particularly vulnerable.

Exit Permits

- o The Secretary was told in November that all those who did not have criminal proceedings against them could leave after completing the usual formalities. Chinese local authorities, however, continue to refuse to grant exit permits to some dissidents and to family members of others.
 - The Chinese insist they are not backing off their commitment, but have not provided an explanation.
 - The press has focused on the blocked travel of labor leader Han Dongfang and dissident spouse Hou Xiaotian.

Tibet

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- o We have expressed our concern about human rights abuses in Tibet, while assuring the Chinese we do not challenge their claim to sovereignty over the region.
- o We have urged a dialogue between the Dalai Lama and the Chinese government.
- o The Administration opposed the provision in the 1992-93 Foreign Relations Authorization Act which expressed the sense of the Congress that Tibet was an occupied country.
- o At the UNHRC in Geneva, we worked with the EC to convert its proposed resolution on Tibet to a resolution which we could co-sponsor, addressing human rights problems throughout China, including Tibet. That resolution ultimately failed on a Pakistani motion of no action.

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BACKGROUND PAPER: TAIWAN CONTACTS

- o The Administration is under increasing pressure from US firms, stimulated by their Taiwan contacts, for raising the level of US official visits to Taiwan. Junior ministers (for trade matters) from France, Italy, Russia, the UK and elsewhere have visited Taiwan in the past year.
- o US industry believes that Cabinet-level visits are essential to the success of their efforts to gain contracts for Taiwan's six-year major construction plan, but there is no evidence to support their belief.

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-- Last year US firms secured over \$1 billion in contracts in Taiwan.

- o USG working-level (with the exception of uniformed military) visits to Taiwan are routinely approved for all agencies, and have not caused a problem with Beijing.
- o We have gradually relaxed our guidelines to allow most Taiwan Cabinet-level officials to meet in social settings with their US counterparts in the US and have very gradually escalated the level of USG visitors to Taiwan. Commerce deputy assistant secretary-level visits, once a rarity, are now more frequent. The PRC has consistently protested these exchanges,

- o The multi-faceted relationship we maintain with Taiwan is a source of deep suspicion in Beijing, and it subjects our contacts to closer scrutiny than the Europeans' much narrower relationships.

-- The PRC is already concerned that our highly publicized arms sales to Taiwan--an area where we remain Taiwan's only reliable supplier--coupled with our open, active support of Taiwan's GATT application--an issue on which the Europeans have been coy--appear to be moving us toward an official relationship with Taiwan.

-- Japan maintains a relationship with Taipei and Beijing that is also complex--although it includes no arms sales--and Tokyo does not send any policy-level administration officials to Taipei. Japan makes do with senior LDP politicians.

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Background: McConnell Bill on U.S.-Hong Kong Policy

- o On April 2, Assistant Secretary Solomon told a Senate Foreign Relations subcommittee that the Administration supports in principle the "U.S.-Hong Kong Policy Act" Senator McConnell introduced last year.
- o The bill would clarify our ability to treat Hong Kong differently from the rest of the PRC after China resumes sovereignty over Hong Kong in 1997.
 - This separate treatment would enable us to give recognition under U.S. law to the wide autonomy Hong Kong will continue to have after 1997 under the terms of the 1984 Sino-UK Joint Declaration.
 - Without this flexibility, U.S. laws which refer to "countries," "foreign states" or "the PRC" might work to Hong Kong's disadvantage after 1997. For instance, we might be forced to include Hong Kong in the PRC's annual MFN renewal process or implement sanctions directed at the PRC against Hong Kong as well.
- o The PRC has publicly and privately protested the bill, saying it constitutes a U.S. attempt to intervene in and 'internationalize' Hong Kong's transition.
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- o The bill is expected to be marked up in the Senate in the next few weeks.
 - We are optimistic that our concerns about some current provisions will be resolved in the marked-up version. In particular, a requirement we report on implementation of the Joint Declaration will probably be dropped.

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CHINA NARCOTICS/BACKGROUND

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- o China has "drawn back from closer anti-narcotics cooperation with the U.S. since [redacted] the "Goldfish" case.
 - A drug trafficker China sent to testify for the prosecution in a 1990 San Francisco trial requested political asylum.
 - His request has been denied, but his legal appeals are moving slowly, with little prospect the case will be resolved for several years.
 - [redacted]
- o [redacted]
- o [redacted]
- o Congressional interest in the PRC's anti-narcotics efforts has grown after China was included on the certification list for the first time in 1991. Senate hearings on narcotics trafficking through the PRC are set for May 19.
 - China's certification listing was as a major transit country for Burmese opium and heroin, but there have also been reports of domestic production of opium, amphetamines and "ice" in China.
- o China has intensified its domestic anti-narcotics efforts.
 - Heroin abuse, mainly in southwestern border regions but also in municipal areas, is of growing concern, as is the growth of AIDS among the user population.
 - Over 1,900 kgs of heroin were seized in 1991 and nearly 2,000 kgs of opium. In October 1991, 35 drug traffickers were publicly executed in Kunming, Yunnan.
- o China has signed an anti-narcotics cooperation pact with Burma, but with unknown practical impact. They have also signed on to UN-funded income substitution projects with Burma and Thailand.

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Background: US-Asia Environmental Partnership

- On January 4, 1992 in Singapore, President Bush announced the creation of the US-Asia Environmental Partnership (US-AEP).
 - The US-AEP brings together Asian and U.S. businesses, non-governmental organizations, and governments to improve Asia's environment and promote economic progress.
 - 24 USG agencies and 31 Asian nations and territories are participating.
- Four major program components focus U.S. expertise and resources on Asia's environmental and energy needs:
 - Fellowships and Training enables exchanges for policy and technical training with American and Asian business, trade, and environmental organizations.
 - Technology Cooperation establishes environmental business centers in the region to promote U.S. technologies.
 - Environmental and Energy Infrastructure sets up a one-stop facility for U.S. government finance coordination and alerts U.S. companies to infrastructure opportunities.
 - Regional Biodiversity Conservation Network develops new products (such as pharmaceuticals and foods) that will improve the livelihood of Asian communities and conserve natural resources.
- Current legislation precludes participation by particular USG agencies in the PRC. Specific prohibitions apply to:
 - Technical assistance, research and development, fellowships and training, and technology transfer from AID; feasibility studies from TDP; and political risk insurance, access to the international environmental investment fund, and the Asia Pacific Growth Fund from OPIC.
 - Other USG agencies are not subject to sanctions and can pursue activities together with the nongovernmental community and the private sector.
 - There are no statutory limitations on Macau or Hong Kong.

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SOUTH ASIA AND THE FIVE POWER CONFERENCE

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CHINA AND THE SECURITY COUNCIL

- o Over the past three years, China has been a supportive, albeit somewhat reserved, Perm Five participant.
- o Despite its abstention on UNSC Resolutions 678, 686, and 688 (1991), China has supported efforts in the Security Council to restore peace and security to the Gulf. Beijing abstained on texts which could set precedents which could potentially infringe on national sovereignty.
- o China has also expressed qualms on PanAm 103. While it voted for UNSC Resolution 731, it threatened to vote against but ultimately abstained on Resolution 748 imposing limited sanctions on Libya.

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- o China took advantage of the Middle East Peace Process to back away from unqualified support for the PLO and recognize Israel. However its ability to contribute to the peace process has been constrained by historical rhetoric and reluctance to reduce arms sales to the region.
 - o China has been helpful in putting pressure on the Khmer Rouge to allow the UN Transitional Authority in Cambodia (UNTAC) access to KR-controlled areas to undertake reconnaissance of cantonment sites.
 - China will join the other Perm Five in supplying 47 military observers for UNTAC. It is also supplying a 400-man engineer unit due to arrive shortly.
 - o Recently, we have received a number of reports indicating that the Chinese are looking for a good excuse to break consensus with the Perm Five and exercise their veto in the Security Council, thus underscoring their independence from the West.

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